

**REPORT OF THE AUDIT OF THE
LESLIE COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2008**



**CRIT LUALLEN
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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Steven L. Beshear, Governor

Jonathan Miller, Secretary

Finance and Administration Cabinet

Honorable Jimmy Sizemore, Leslie County Judge/Executive

Members of the Leslie County Fiscal Court

The enclosed report prepared by Tichenor & Associates, LLP, Certified Public Accountants, presents the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Leslie County, Kentucky, as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements.

We engaged Tichenor & Associates, LLP to perform the audit of these financial statements. We worked closely with the firm during our report review process; Tichenor & Associates, LLP evaluated the Leslie County's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in cursive script, reading "Crit Luallen".

Crit Luallen

Auditor of Public Accounts

Enclosure



EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE LESLIE COUNTY FISCAL COURT

June 30, 2008

Tichenor & Associates, LLP has completed the audit of the Leslie County Fiscal Court for fiscal year ended June 30, 2008. We have issued unqualified opinions on the governmental activities, each major fund, and the aggregate remaining fund information.

In accordance with OMB Circular A-133, we have issued unqualified opinions on the compliance requirements that are applicable to Leslie County's major federal programs, Homeland Security Grant Program (CFDA #97.067) and Disaster Grants - Public Assistance (CFDA #97.036), for the year ended June 30, 2008.

Report Comments:

- 2008-01 The Fiscal Court Should Improve Policies And Procedures Related To The Schedule Of Expenditures Of Federal Awards
- 2008-02 The Fiscal Court Should Maintain Adequate Documentation For All Expenditures
- 2008-03 The Fiscal Court Should Maintain Proper Documentation For Capital Assets
- 2008-04 A Lack Of Adequate Segregation Of Duties Exists In The Treasurer's Office
- 2008-05 The Fiscal Court Should Pay Obligations Timely
- 2008-06 The Fiscal Court Should Monitor Ambulance Franchise Fee Collections
- 2008-07 The Fiscal Court Should Reconcile The Balances Of Projects In Progress In The Local Government Economic Development Fund With The Ending Cash Balance
- 2008-08 The Fiscal Court Should Ensure That No Transactions Are Made With Vendors Who Have Been Suspended Or Debarred

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TICHENOR & ASSOCIATES, LLP

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To the People of Kentucky

Honorable Steven L. Beshear, Governor

Jonathan Miller, Secretary

Finance and Administration Cabinet

Honorable Jimmy Sizemore, Leslie County Judge/Executive

Members of the Leslie County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Leslie County, Kentucky, as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Leslie County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Leslie County, Kentucky, prepares its financial statements in accordance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Leslie County, Kentucky, as of June 30, 2008, and the respective changes in financial position thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The County has chosen not to present the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of, the basic financial statements. The budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the budgetary comparison information. However, we did not audit it and express no opinion on it.

To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable Jimmy Sizemore, Leslie County Judge/Executive
Members of the Leslie County Fiscal Court

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Leslie County, Kentucky's basic financial statements. The accompanying combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the basic financial statements. The combining fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated June 3, 2009, on our consideration of Leslie County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we present the schedule of findings and questioned costs, included herein, which discusses the following report comments:

- 2008-01 The Fiscal Court Should Improve Policies And Procedures Related To The Schedule Of Expenditures Of Federal Awards
- 2008-02 The Fiscal Court Should Maintain Adequate Documentation For All Expenditures
- 2008-03 The Fiscal Court Should Maintain Proper Documentation For Capital Assets
- 2008-04 A Lack Of Adequate Segregation Of Duties Exists In The Treasurer's Office
- 2008-05 The Fiscal Court Should Pay Obligations Timely
- 2008-06 The Fiscal Court Should Monitor Ambulance Franchise Fee Collections
- 2008-07 The Fiscal Court Should Reconcile The Balances Of Projects In Progress In The Local Government Economic Development Fund With The Ending Cash Balance
- 2008-08 The Fiscal Court Should Ensure That No Transactions Are Made With Vendors Who Have Been Suspended Or Debarred

Respectfully Submitted,

Tichenor & Associates, LLP

Tichenor & Associates, LLP
Certified Public Accountants

Louisville, Kentucky

June 3, 2009

LESLIE COUNTY OFFICIALS

For The Year Ended June 30, 2008

Fiscal Court Members:

Jimmy Sizemore	County Judge/Executive
Kenneth F. Smith	Commissioner
Billy Ray Coots	Commissioner
Bill Valentine	Commissioner
Johnny Ray Caldwell	Commissioner

Other Elected Officials:

Phillip Lewis	County Attorney
Eugene Roberts	Jailer
James Lewis	County Clerk
Carmoletta Morgan Pace	Circuit Court Clerk
Paul Howard	Sheriff
James Wooten	Property Valuation Administrator
Greg Walker	Coroner

Appointed Personnel:

Mack Muncy	County Treasurer
Nancy Roberts	Finance Officer

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LESLIE COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2008

LESLIE COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2008

	<u>Primary Government</u>
	<u>Governmental Activities</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 4,037,450
Total Current Assets	<u>4,037,450</u>
Noncurrent Assets:	
Capital Assets - Net of Accumulated Depreciation	
Land and Land Improvements	870,685
Construction in Progress	6,849,103
Buildings	762,027
Other Equipment	451,219
Vehicles and Equipment	349,723
Infrastructure	<u>2,722,080</u>
Total Noncurrent Assets	<u>12,004,837</u>
Total Assets	<u>16,042,287</u>
LIABILITIES	
Current Liabilities:	
Bonds Payable	115,000
Financing Obligations Payable	<u>10,000</u>
Total Current Liabilities	<u>125,000</u>
Noncurrent Liabilities:	
Bonds Payable	6,500,000
Financing Obligations Payable	<u>465,000</u>
Total Noncurrent Liabilities	<u>6,965,000</u>
Total Liabilities	<u>7,090,000</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	4,914,837
Restricted For:	
Debt Service	206,109
Capital Projects	10,449
Unrestricted	<u>3,820,892</u>
Total Net Assets	<u>\$ 8,952,287</u>

The accompanying notes are an integral part of the financial statements.

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LESLIE COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2008

LESLIE COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2008

		Program Revenues Received	
Functions/Programs Reporting Entity	Expenses	Charges for Services	Operating Grants and Contributions
Primary Government:			
Governmental Activities:			
General Government	\$ 2,108,009	\$ 30,571	\$ 496,368
Protection to Persons and Property	798,671		187,503
General Health and Sanitation	158,802		1,798,820
Social Services	590,357		2,863,047
Recreation and Culture	177,012		
Roads	1,399,546		1,547,389
Debt Service	335,580		
Capital Projects	908,622		
Total Primary Government	\$ 6,476,599	\$ 30,571	\$ 6,893,127

General Revenues:

Taxes:

 Real Property Taxes

 Motor Vehicle Taxes

 Other Taxes

Excess Fees

License and Permits

Miscellaneous Revenues

Interest Received

Total General Revenues

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

LESLIE COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2008
(Continued)

Net (Expenses) Revenues
and Changes in Net Assets
Primary Government

Governmental
Activities

\$ (1,581,070)
 (611,168)
 1,640,018
 2,272,690
 (177,012)
 147,843
 (335,580)
(908,622)

447,099

315,177
 93,605
 1,376,335
 52,867
 100,276
 54,911
22,327

2,015,498
2,462,597
6,489,690

\$ 8,952,287

The accompanying notes are an integral part of the financial statements.

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LESLIE COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2008

LESLIE COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2008

	General Fund	Road Fund	Local Government Economic Assistance Fund	Local Government Economic Development Fund	Flood Relief Fund
ASSETS					
Cash and Cash Equivalents	\$ 582,160	\$ 189,396	\$ 150,814	\$ 1,057,428	\$ 1,635,215
Total Assets	<u>582,160</u>	<u>189,396</u>	<u>150,814</u>	<u>1,057,428</u>	<u>1,635,215</u>
FUND BALANCES					
Reserved for:					
Encumbrances	19,818	15,063	28,779		
Capital Projects Fund					
Debt Service Fund					
Unreserved:					
General Fund	562,342				
Special Revenue Funds		174,333	122,035	1,057,428	1,635,215
Total Fund Balances	<u>\$ 582,160</u>	<u>\$ 189,396</u>	<u>\$ 150,814</u>	<u>\$ 1,057,428</u>	<u>\$ 1,635,215</u>

The accompanying notes are an integral part of the financial statements.

LESLIE COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
June 30, 2008
(Continued)

Detention Facility Project Fund	Public Properties Corporation Fund	Non- Major Funds	Total Governmental Funds
\$ 10,449	\$ 206,109	\$ 205,879	\$ 4,037,450
<u>10,449</u>	<u>206,109</u>	<u>205,879</u>	<u>4,037,450</u>
10,449		26,123	89,783
			10,449
	206,109		206,109
			562,342
		179,756	3,168,767
<u>\$ 10,449</u>	<u>\$ 206,109</u>	<u>\$ 205,879</u>	<u>\$ 4,037,450</u>

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets:

Total Fund Balances	\$ 4,037,450
Amounts Reported For Governmental Activities In The Statement Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources And Therefore Are Not Reported in the Funds.	13,498,366
Accumulated Depreciation	(1,493,529)
Long-term debt is not due and payable in the current period and, therefore, is not reported in the funds.	
Due Within One Year - Bonds, Notes, and Lease Principal Payments	(125,000)
Due In More Than One Year - Bonds, Notes, and Lease Principal Payments	(6,965,000)
Net Assets Of Governmental Activities	<u>\$ 8,952,287</u>

The accompanying notes are an integral part of the financial statements.

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LESLIE COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2008

LESLIE COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2008

	General Fund	Road Fund	Local Government Economic Assistance Fund	Local Government Economic Development Fund	Flood Relief Fund
REVENUES					
Taxes	\$ 833,862	\$ 104,130	\$	\$	\$
In Lieu Tax Payments	53,977				
Excess Fees	52,867				
License and Permits	100,276				
Intergovernmental	496,368	1,547,389	1,798,820	2,863,047	
Charges for Services	30,571				
Miscellaneous	34,622	3,424	6,865		
Interest	3,499	2,226	2,469	5,344	4,684
Total Revenues	<u>1,606,042</u>	<u>1,657,169</u>	<u>1,808,154</u>	<u>2,868,391</u>	<u>4,684</u>
EXPENDITURES					
General Government	654,378		21,842		
Protection to Persons and Property	312,615		133,325	10,256.00	
General Health and Sanitation			110,133	48,669	
Social Services			485,970		
Recreation and Culture	9,679		150,247		
Roads		978,693	229,782		167,745
Debt Service					
Capital Projects				2,814,177	
Administration	551,717	241,701	631,515		
Total Expenditures	<u>1,528,389</u>	<u>1,220,394</u>	<u>1,762,814</u>	<u>2,873,102</u>	<u>167,745</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>77,653</u>	<u>436,775</u>	<u>45,340</u>	<u>(4,711)</u>	<u>(163,061)</u>
Other Financing Sources (Uses)					
Transfers From Other Funds		10,709	84,923	26,659	1,798,276
Transfers To Other Funds	(158,682)	(602,489)	(544,686)		
Total Other Financing Sources (Uses)	<u>(158,682)</u>	<u>(591,780)</u>	<u>(459,763)</u>	<u>26,659</u>	<u>1,798,276</u>
Net Changes in Fund Balance	(81,029)	(155,005)	(414,423)	21,948	1,635,215
Fund Balances - Beginning	<u>663,189</u>	<u>344,401</u>	<u>565,237</u>	<u>1,035,480</u>	
Fund Balances - Ending	<u>\$ 582,160</u>	<u>\$ 189,396</u>	<u>\$ 150,814</u>	<u>\$ 1,057,428</u>	<u>\$ 1,635,215</u>

The accompanying notes are an integral part of the financial statements.

LESLIE COUNTY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2008

(Continued)

Detention Facility Project Fund	Public Properties Corporation Fund	Non- Major Funds	Total Governmental Funds
\$	\$ 694,251	\$ 98,897	\$ 1,731,140
			53,977
			52,867
			100,276
		187,503	6,893,127
			30,571
		10,000	54,911
333	2,538	1,234	22,327
333	696,789	297,634	8,939,196
			676,220
		668,657	1,124,853
			158,802
		97,163	583,133
			159,926
			1,376,220
	490,580		490,580
88,119			2,902,296
	75	11	1,425,019
88,119	490,655	765,831	8,897,049
(87,786)	206,134	(468,197)	42,147
		336,276	2,256,843
	(950,986)		(2,256,843)
	(950,986)	336,276	
(87,786)	(744,852)	(131,921)	42,147
98,235	950,961	337,800	3,995,303
\$ 10,449	\$ 206,109	\$ 205,879	\$ 4,037,450

The accompanying notes are an integral part of the financial statements.

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LESLIE COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2008

LESLIE COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2008

Net Change In Fund Balances - Total Governmental Funds	\$ 42,147
Governmental Funds Report Capital Outlays As Expenditures. However, In The Statement Of Activities The Cost Of Those Assets Are Allocated Over Their Estimated Useful Lives And Reported As Depreciation Expense.	
Capital Outlay	2,488,224
Depreciation Expense	(222,774)
The Issuance Of Long-term Debt (e.g. Bonds, Leases) Provides Current Financial Resources To Governmental Funds, While Debt Principal Payments Are Expensed In The Governmental Funds As A Use Of Current Financial Resources. These Transactions, However, Have No Effect On Net Assets.	
Bond Payments	145,000
Financing Obligation Payments	<u>10,000</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 2,462,597</u></u>

The accompanying notes are an integral part of the financial statements.

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENTS**

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LESLIE COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with the exception of depreciation expense, which is recognized on the statement of activities. This modified cash basis recognizes revenues when received and expenditures when paid. Property tax receivables, accounts payable, compensated absences, and donated assets, among other items, are not reflected in the financial statements.

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Leslie County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. The county has no discretely presented component units.

Blended Component Units

The following legally separate organization provided its services exclusively to the primary government, and the fiscal court is able to impose its will on this organization. This organization's balances and transactions are reported as though they are part of the county's primary government using the blending method.

Leslie County Public Properties Corporation

The Leslie County Fiscal Court (Fiscal Court) established the Leslie County Public Properties Corporation (Corporation) as a separate entity for the purpose of financing the construction and installation of public projects in furtherance of the proper public purposes of Leslie County. The Corporation's governing body consists of the members of the Fiscal Court, which includes the Leslie County Judge/Executive and the three commissioners and has perpetual existence. Since the Fiscal Court has complete authority over this entity it is a component unit of the county. The financial information for the Leslie County Public Properties Corporation is blended within the Leslie County's financial statements.

LESLIE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Leslie County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Leslie County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Leslie County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

D. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities are supported by taxes and intergovernmental revenues.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale the 3rd Saturday in April following the delinquency date.

LESLIE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-Wide and Fund Financial Statements (Continued)

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Major individual governmental funds are reported as separate columns in the financial statements.

Governmental Funds

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck license distribution, municipal road aid, and transportation grants. The Department for Local Government requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

Local Government Economic Assistance Fund - The primary purpose of this fund is to account for general health and sanitation, social services and economic assistance expenses of the county. The primary sources of revenue are state grants, coal and mineral severances taxes, landfill user fees, and recreational area user fees. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Local Government Economic Development Fund - The purpose of this fund is to account for projects funded by Local Government Economic Development funds. The primary sources of revenue are grants received from the Department for Local Government.

Flood Relief Fund - The purpose of this fund is to account for flood repairs funded by the Federal Emergency Management Agency.

Detention Facility Project Fund - The purpose of this fund is to account for the construction of the new detention center.

Public Properties Corporation Fund - The purpose of this fund is to account for the activities of the Leslie County Public Properties Corporation, a blended component unit of the county. The Leslie County Public Properties Corporation issued debt to build a Judicial Center facility.

The primary government also has the following non-major funds: Jail Fund, Senior Citizens Fund, and the 911 Fund.

LESLIE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-Wide and Fund Financial Statements (Continued)

Special Revenue Funds:

The Road Fund, Jail Fund, Local Government Economic Assistance Fund (LGEA), Local Government Economic Development Fund, Flood Relief Fund, Senior Citizens Fund, and 911 Fund, are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Debt Service Funds:

The Leslie County Public Properties Corporation Fund is presented as a debt service fund. Debt service funds are to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

Capital Projects Fund:

The Detention Facility Project Fund is presented as a capital projects fund. Capital project funds are to account for the construction of new facilities.

E. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Capital Assets

Capital assets, which include land, land improvements, buildings, other equipment, vehicles and equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

LESLIE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Capital Assets (Continued)

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land, construction in progress and certain land improvements are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 50,000	10-20
Buildings	All	25-40
Other Equipment	\$ 2,500	5-20
Vehicles and Equipment	\$ 5,000	5-10
Infrastructure	\$ 50,000	5-50

G. Long-term Obligations

In the government-wide financial statements and proprietary funds in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental funds recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance, if applicable.

LESLIE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

I. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

The Leslie County Public Properties Corporation Fund (blended component unit), and the Leslie County Detention Facility Project Fund are not budgeted by the county treasurer. The Department for Local Government does not require the fiscal court to report or budget these funds.

J. Related Organizations and Joint Ventures

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, Hyden-Leslie County Water and Sewer District, Extension District, Library District, and Health District are considered related organizations of Leslie County Fiscal Court.

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based upon these criteria, the Elk Hill-Leslie Industrial Development Authority and Hyden-Leslie Industrial Development Authority are considered joint ventures of the Leslie County Fiscal Court.

Note 2. Deposits

The County maintains deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a depository institution's failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240 (4). As of June 30, 2008, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

LESLIE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 3. Capital Assets

Capital asset activity for the year ended June 30, 2008 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government:				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 236,800	\$ 505,000	\$	\$ 741,800
Construction In Progress	6,349,120	499,983		6,849,103
Total Capital Assets Not Being Depreciated	6,585,920	1,004,983		7,590,903
Capital Assets, Being Depreciated:				
Land Improvements	151,631			151,631
Buildings	1,301,614			1,301,614
Other Equipment	729,764	268,643		998,407
Vehicles and Equipment	505,683	92,542		598,225
Infrastructure	1,735,530	1,122,056		2,857,586
Total Capital Assets Being Depreciated	4,424,222	1,483,241		5,907,463
Less Accumulated Depreciation For:				
Land Improvements	(15,164)	(7,582)		(22,746)
Buildings	(519,270)	(20,317)		(539,587)
Other Equipment	(480,850)	(66,339)		(547,189)
Vehicles and Equipment	(189,826)	(58,676)		(248,502)
Infrastructure	(65,645)	(69,860)		(135,505)
Total Accumulated Depreciation	(1,270,755)	(222,774)		(1,493,529)
Total Capital Assets, Being Depreciated, Net	3,153,467	1,260,467		4,413,934
Governmental Activities Capital Assets, Net	\$ 9,739,387	\$ 2,265,450	\$ 0	\$ 12,004,837

Depreciation expense was charged to functions of the primary government as follows:

<u>Governmental Activities:</u>	
General Government	\$ 13,146
Protection to Persons and Property	19,509
Social Services	7,224
Recreation and Culture	19,821
Roads, Including Depreciation of General Infrastructure Assets	163,074
Total Depreciation Expense - Governmental Activities	<u>\$ 222,774</u>

LESLIE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 4. Long-term Debt

A. Leslie County Public Properties Corporation General Obligation Improvement Bonds Series 2006

On December 27, 2005 the Leslie County Public Properties Corporation issued \$5,450,000 General Obligation Improvement Bonds, Series 2005 for the purpose of constructing a detention center. The bonds mature serially through December 1, 2035 and require annual principal payments due on December 1 with the first payment due December 1, 2007. Semi-annual payments of interest at an interest rate of 4.625% are due on June 1 and December 1 of each year with the first payment due June 1, 2007. Bonds outstanding as of June 30, 2008 were \$5,355,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2009	\$ 95,000	\$ 249,672
2010	100,000	254,163
2011	105,000	240,422
2012	110,000	235,450
2013	115,000	230,247
2014-2018	650,000	1,065,044
2019-2023	820,000	896,281
2024-2028	1,040,000	679,488
2029-2033	1,335,000	398,881
2034-2036	985,000	71,844
Totals	<u>\$ 5,355,000</u>	<u>\$ 4,321,492</u>

B. Leslie County Public Properties Corporation General Obligation Refunding Bonds Series 2003

On September 19, 2003 the Leslie County Public Properties Corporation issued \$940,000 General Obligation Refunding Bonds, Series 2003 for the purpose of advance refunding of all outstanding County of Leslie General Obligation Bonds. The bonds mature serially through February 1, 2008 and require annual principal payments due on February 1. Semi-annual payments of trustee fees and interest payments at a variable interest rate ranging from 1.25% to 2.75% are due on February 1 and August 1 of each year. The bonds were paid in full as of June 30, 2008.

LESLIE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 4. Long-term Debt (Continued)

C. Kentucky Area Development Districts (KADD) Financing Trust - Jail Construction Project

On October 6, 2006, the Leslie County Fiscal Court entered into an agreement with KADD Financing Trust for the construction of a new detention facility. Total principal was \$495,000 and requires annual principal payments due on October 1 beginning on October 1, 2007 for a period of thirty years. Interest payments are due semi-annually at a variable interest rate of 3.400 % and 5.000% due on April 1 and October 1 beginning on April 1 2007 for a period of thirty years. Principal outstanding as of June 30, 2008 was \$475,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2009	\$ 10,000	\$ 22,740
2010	10,000	22,350
2011	10,000	21,945
2012	10,000	21,515
2013	10,000	21,065
2014-2018	55,000	98,406
2019-2023	75,000	82,561
2024-2028	95,000	62,288
2029-2033	115,000	36,375
2034-2036	85,000	6,625
Totals	<u>\$ 475,000</u>	<u>\$ 395,870</u>

LESLIE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 4. Long-term Debt (Continued)

D. Leslie County Public Properties Corporation General Obligation Improvement Bonds Series 2006

On November 15, 2006 the Leslie County Public Properties Corporation issued \$1,280,000 General Obligation Improvement Bonds, Series 2006 for the purpose of constructing a detention center. The bonds mature serially through December 1, 2035 and require annual principal payments due on December 1 with the first payment due December 1, 2007. Semi-annual payments of interest at a variable interest rate between 4.0% to 4.70% are due on June 1 and December 1 of each year with the first payment due June 1, 2007. Bonds outstanding as of June 30, 2008 were \$1,260,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2009	\$ 20,000	\$ 57,770
2010	25,000	56,970
2011	25,000	56,070
2012	25,000	55,070
2013	25,000	54,070
2014-2018	155,000	252,693
2019-2023	195,000	216,538
2024-2028	245,000	168,428
2029-2033	315,000	106,916
2034-2036	230,000	28,905
Totals	<u>\$ 1,260,000</u>	<u>\$ 1,053,430</u>

E. Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2008, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
<u>Governmental Activities:</u>					
General Obligation Bonds:					
Revenue	\$ 30,000	\$	\$ 30,000	\$	\$
Improvement	6,730,000		115,000	6,615,000	115,000
Financing Obligations	485,000		10,000	475,000	10,000
Governmental Activities					
Long-term Liabilities	<u>\$ 7,245,000</u>	<u>\$ 0</u>	<u>\$ 155,000</u>	<u>\$ 7,090,000</u>	<u>\$ 125,000</u>

LESLIE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 5. Interest Included in Debt Service

Debt Service on the Statement of Activities includes the following: Long-term interest paid of \$23,110 for the KADD Financing Trust obligation and \$825 for other financing obligations, long-term interest paid of \$57,770 for the Leslie County Public Properties Corporation General Obligation Refunding Bonds and \$253,875 for the Leslie County Public Properties Corporation General Obligation Improvement Bonds.

Note 6. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple-employer, defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 16.17 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirements Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 7. Insurance

For the fiscal year ended June 30, 2008, Leslie County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

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LESLIE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2008

LESLIE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis

For The Year Ended June 30, 2008

	GENERAL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 793,800	\$ 793,800	\$ 833,862	\$ 40,062
In Lieu Tax Payments	62,530	62,530	53,977	(8,553)
Excess Fees	6,000	48,850	52,867	4,017
License and Permits			100,276	100,276
Intergovernmental Revenue	125,950	478,845	496,368	17,523
Charges for Services	25,680	25,680	30,571	4,891
Miscellaneous	19,200	19,200	34,622	15,422
Interest	1,500	1,500	3,499	1,999
Total Revenues	1,034,660	1,430,405	1,606,042	175,637
EXPENDITURES				
General Government	672,016	733,836	654,378	79,458
Protection to Persons and Property	3,714	313,037	312,615	422
Recreation and Culture	16,000	17,900	9,679	8,221
Administration	649,847	633,086	551,717	81,369
Total Expenditures	1,341,577	1,697,859	1,528,389	169,470
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(306,917)	(267,454)	77,653	345,107
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	210,500	210,500		(210,500)
Transfers To Other Funds	(103,583)	(103,583)	(158,682)	(55,099)
Total Other Financing Sources (Uses)	106,917	106,917	(158,682)	(265,599)
Net Changes in Fund Balance	(200,000)	(160,537)	(81,029)	79,508
Fund Balance - Beginning	200,000	200,000	663,189	463,189
Fund Balance - Ending	\$ 0	\$ 39,463	\$ 582,160	\$ 542,697

LESLIE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2008
(Continued)

	ROAD FUND			
	<u>Budgeted Amounts</u>		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
In Lieu Tax Payments	\$ 77,300	\$ 104,130	\$ 104,130	\$
Intergovernmental Revenue	1,089,044	1,161,387	1,547,389	386,002
Miscellaneous	6,200	6,200	3,424	(2,776)
Interest	2,500	2,500	2,226	(274)
Total Revenues	<u>1,175,044</u>	<u>1,274,217</u>	<u>1,657,169</u>	<u>382,952</u>
EXPENDITURES				
Roads	895,360	1,207,779	978,693	229,086
Administration	461,441	257,897	241,701	16,196
Total Expenditures	<u>1,356,801</u>	<u>1,465,676</u>	<u>1,220,394</u>	<u>245,282</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(181,757)</u>	<u>(191,459)</u>	<u>436,775</u>	<u>628,234</u>
OTHER FINANCING SOURCES (USES)				
Transfer From Other Funds			10,709	10,709
Transfers To Other Funds	<u>(238,243)</u>	<u>(238,243)</u>	<u>(602,489)</u>	<u>(364,246)</u>
Total Other Financing Sources (Uses)	<u>(238,243)</u>	<u>(238,243)</u>	<u>(591,780)</u>	<u>(353,537)</u>
Net Changes in Fund Balance	(420,000)	(429,702)	(155,005)	274,697
Fund Balance - Beginning	<u>420,000</u>	<u>420,000</u>	<u>344,401</u>	<u>(75,599)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (9,702)</u>	<u>\$ 189,396</u>	<u>\$ 199,098</u>

LESLIE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2008
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 1,608,130	\$ 1,609,628	\$ 1,798,820	\$ 189,192
Miscellaneous	100	6,965	6,865	(100)
Interest	4,500	4,500	2,469	(2,031)
Total Revenues	1,612,730	1,621,093	1,808,154	187,061
EXPENDITURES				
General Government	20,977	27,842	21,842	6,000
Protection to Persons and Property	68,185	158,338	133,325	25,013
General Health and Sanitation	132,269	119,865	110,133	9,732
Social Services	560,273	597,967	485,970	111,997
Recreation and Culture	140,032	177,693	150,247	27,446
Roads	286,290	292,790	229,782	63,008
Administration	799,659	685,695	631,515	54,180
Total Expenditures	2,007,685	2,060,190	1,762,814	297,376
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(394,955)	(439,097)	45,340	484,437
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	130,000		84,923	84,923
Transfers To Other Funds	(295,045)	(295,045)	(544,686)	(249,641)
Total Other Financing Sources (Uses)	(165,045)	(295,045)	(459,763)	(164,718)
Net Changes in Fund Balance	(560,000)	(734,142)	(414,423)	319,719
Fund Balance - Beginning	560,000	560,000	565,237	5,237
Fund Balance - Ending	\$ 0	\$ (174,142)	\$ 150,814	\$ 324,956

LESLIE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2008
(Continued)

LOCAL GOVERNMENT ECONOMIC DEVELOPMENT FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$	\$ 2,863,047	\$ 2,863,047	\$
Interest	2,500	2,500	5,344	2,844
Total Revenues	2,500	2,865,547	2,868,391	2,844
EXPENDITURES				
Protection to Persons and Property		10,256	10,256	
Social Services		25,000		25,000
General Health and Sanitation		358,862	48,669	310,193
Capital Projects	1,314,975	2,746,268	2,814,177	(67,909)
Administration	327,175	915,570		915,570
Total Expenditures	1,642,150	4,055,956	2,873,102	1,182,854
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(1,639,650)	(1,190,409)	(4,711)	1,185,698
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds			26,659	26,659
Transfers To Other Funds	(130,000)	(130,000)		130,000
Total Other Financing Sources (Uses)	(130,000)	(130,000)	26,659	156,659
Net Changes in Fund Balance	(1,769,650)	(1,320,409)	21,948	1,342,357
Fund Balance - Beginning	1,769,650	1,769,650	1,035,480	(734,170)
Fund Balance - Ending	\$ 0	\$ 449,241	\$ 1,057,428	\$ 608,187

LESLIE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2008
(Continued)

FLOOD RELIEF FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Interest	\$ 0	\$ 0	\$ 4,684	\$ 4,684
Total Revenues			4,684	4,684
EXPENDITURES				
Roads		167,745	167,745	
Administration		465,385		465,385
Total Expenditures		633,130	167,745	465,385
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)		(633,130)	(163,061)	470,069
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds		197,219	1,798,276	1,601,057
Total Other Financing Sources (Uses)		197,219	1,798,276	1,601,057
Net Changes in Fund Balance		(435,911)	1,635,215	2,071,126
Fund Balance - Beginning				
Fund Balance - Ending	\$ 0	\$ (435,911)	\$ 1,635,215	\$ 2,071,126

LESLIE COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2008

Note 1. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by June 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

LESLIE COUNTY
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS -
MODIFIED CASH BASIS

Other Supplementary Information

June 30, 2008

LESLIE COUNTY
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS -
MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2008

	Jail Fund	Senior Citizens Fund	911 Fund	Total Non-Major Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 12,186	\$ 45,303	\$ 148,390	\$ 205,879
Total Assets	<u>12,186</u>	<u>45,303</u>	<u>148,390</u>	<u>205,879</u>
FUND BALANCES				
Reserved for:				
Encumbrances	15,434	7,155	3,534	26,123
Unreserved:				
Special Revenue Funds	<u>(3,248)</u>	<u>38,148</u>	<u>144,856</u>	<u>179,756</u>
Total Fund Balances	<u>\$ 12,186</u>	<u>\$ 45,303</u>	<u>\$ 148,390</u>	<u>\$ 205,879</u>

The accompanying notes are an integral part of the financial statements.

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LESLIE COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2008

LESLIE COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2008

	Jail Fund	Senior Citizens Fund	911 Fund	Total Non-Major Governmental Funds
REVENUES				
Taxes	\$	\$	\$ 98,897	\$ 98,897
Intergovernmental	75,926	111,577		187,503
Miscellaneous	10,000			10,000
Interest	126		1,108	1,234
Total Revenues	<u>86,052</u>	<u>111,577</u>	<u>100,005</u>	<u>297,634</u>
EXPENDITURES				
Protection to Persons and Property	411,250		257,407	668,657
Social Services		97,163		97,163
Administration	11			11
Total Expenditures	<u>411,261</u>	<u>97,163</u>	<u>257,407</u>	<u>765,831</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(325,209)</u>	<u>14,414</u>	<u>(157,402)</u>	<u>(468,197)</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	336,276			336,276
Total Other Financing Sources (Uses)	<u>336,276</u>			<u>336,276</u>
Net Changes in Fund Balances	11,067	14,414	(157,402)	(131,921)
Fund Balances - Beginning	<u>1,119</u>	<u>30,889</u>	<u>305,792</u>	<u>337,800</u>
Fund Balances - Ending	<u><u>\$ 12,186</u></u>	<u><u>\$ 45,303</u></u>	<u><u>\$ 148,390</u></u>	<u><u>\$ 205,879</u></u>

The accompanying notes are an integral part of the financial statements.

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LESLIE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2008

LESLIE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2008

Federal Grantor		
Program Title	Pass-Through	
<u>Grant Name (CFDA #)</u>	<u>Grantor's Number</u>	<u>Expenditures</u>
U.S. Department of Commerce		
National Oceanic and Atmospheric Administration		
Passed Through the Center for Rural Development		
Congressionally Identified Awards and Projects		
PRIDE Grants		
Community Grant		
(CFDA #11.469)	SC08-12	\$ 19,630
Roadside Cleanup Grant		
(CFDA #11.469)	Unavailable	280
Total U.S. Department of Commerce		19,910
U.S. Department of the Interior		
Bureau of Land Management		
Passed through Commonwealth of Kentucky		
Payments in Lieu of Taxes		
(CFDA #15.226)	Unavailable	53,977
Secure Rural Schools & Community Self Determination		
National Forestry Receipts		
(CFDA #15.234)	Unavailable	104,130
Total U.S. Department of the Interior		158,107
U.S. Department of Health and Human Services		
Administration on Aging		
Passed through KY River Area Development District:		
Special Programs for the Aging - Title III B,C,D		
(CFDA #93.043, 93.044, 93.045)	Unavailable	66,714
Nutrition Services Incentive Program		
(CFDA # 93.053)	Unavailabe	36,643
Total U.S. Department of Health and Human Services		103,357

LESLIE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2008
(Continued)

Federal Grantor		
Program Title	Pass-Through	
<u>Grant Name (CFDA #)</u>	<u>Grantor's Number</u>	<u>Expenditures</u>
U.S. Department of Homeland Security		
Passed through Commonwealth of Kentucky:		
Department for Military Affairs		
Disaster Grants - Public Assistance		
2002 Flood		
(CFDA #97.036)	FEMA-1407-DR-KY	\$ 24,747
April 2007 Severe Storms		
(CFDA #97.036)	FEMA-1703-DR-KY	214,923
Emergency Management Performance Grants		
(CFDA # 97.042)	Unavaliabe	9,184
Homeland Security Grant Program		
(CFDA #97.067)	6053S	347,795
Total U.S. Department of Homeland Security		<u>596,649</u>
TOTAL FEDERAL AWARDS		<u><u>\$ 878,023</u></u>

LESLIE COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2008

Note 1 - The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Leslie County, Kentucky and is presented on a modified cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

TICHENOR & ASSOCIATES, LLP

CERTIFIED PUBLIC ACCOUNTANTS and MANAGEMENT CONSULTANTS

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The Honorable Jimmy Sizemore, Leslie County Judge/Executive
Members of the Leslie County Fiscal Court

Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Leslie County, Kentucky, as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated June 3, 2009. Leslie County presents its financial statements on the modified cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Leslie County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Leslie County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Leslie County's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying comments and recommendations to be significant deficiencies in internal control over financial reporting.: 2008-01, 2008-02, 2008-03, 2008-04, 2008-06, and 2008-07.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiencies described above to be material weaknesses.

Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Leslie County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying schedule of findings and questioned costs as item: 2008-05.

This report is intended solely for the information and use of management, others within the entity, the Department for Local Government, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

Tichenor & Associates, LLP

Tichenor & Associates, LLP
Certified Public Accountants

June 3, 2009

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

TICHENOR & ASSOCIATES, LLP
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The Honorable Jimmy Sizemore, Leslie County Judge/Executive
Members of the Leslie County Fiscal Court

Report On Compliance With Requirements
Applicable To Each Major Program And On Internal Control
Over Compliance In Accordance With OMB Circular A-133

Compliance

We have audited the compliance of Leslie County, Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. Leslie County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Leslie County's management. Our responsibility is to express an opinion on Leslie County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Leslie County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Leslie County's compliance with those requirements.

In our opinion, Leslie County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008. However the results of our auditing procedures disclosed one instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2008-08.

Internal Control Over Compliance

The management of Leslie County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Leslie County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Leslie County's internal control over compliance.

Report On Compliance With Requirements
Applicable To Each Major Program And On Internal Control
Over Compliance In Accordance With OMB Circular A-133
(Continued)

Internal Control Over Compliance (Continued)

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that a noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, others within the entity, the Department for Local Government, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

Tichenor & Associates, LLP

Tichenor & Associates, LLP
Certified Public Accountants

June 3, 2009

LESLIE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2008

LESLIE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Fiscal Year Ended June 30, 2008

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses unqualified opinions on the governmental activities, each major fund, and the aggregate remaining fund information of Leslie County.
2. One (1) instance of noncompliance material to the financial statements of Leslie County was disclosed during the audit.
3. Six (6) significant deficiencies relating to the internal control over financial reporting are reported in the Independent Auditor's Report. All are considered material weaknesses.
4. The auditor's report on compliance for the audit of the major federal awards programs for Leslie County expresses an unqualified opinion on Homeland Security Grant Program CFDA # 97.067 and Disaster Grants - Public Assistance CFDA #97.036.
5. There was one audit finding relative to the major federal awards program reported in part C. of this schedule.
6. There were no significant deficiencies relative to the major federal award programs for the Leslie County Fiscal Court.
7. The programs tested as major programs were: Homeland Security Grant Program CFDA #97.067 and Disaster Grants - Public Assistance CFDA #97.036.
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Leslie County was not determined to be a low-risk auditee.

B. FINANCIAL STATEMENT FINDINGS

2008-01 Fiscal Court Should Improve Policies And Procedures Related To The Schedule Of Expenditures Of Federal Awards

During our review of the Schedule of Expenditures of Federal Awards (SEFA), we noted multiple significant errors. Specifically, we noted the following:

- Federal expenditures were not included on the schedule. Expenses for equipment costs included on requests for reimbursement submitted to the reimbursing agency were not included on the SEFA. The amount was undeterminable.
- Sixteen expenditures totaling \$7,543 paid in the prior year were included in the current year SEFA.
- The requests for reimbursement were not reconciled to the amounts recorded in the appropriations ledger.

OMB Circular A-133, Subpart C-Auditees; Section _____.300 Auditee responsibilities states,

The auditee shall:

- Identify, in its accounts, all Federal awards received and expended, and the Federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity.
- Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with Section _____.310.

LESLIE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2008
(Continued)

B. FINANCIAL STATEMENT FINDINGS (CONTINUED)

2008-01 Fiscal Court Should Improve Policies And Procedures Related To The Schedule Of Expenditures Of Federal Awards (Continued)

We recommend Fiscal Court follow OMB Circular A-133 for preparation of the government's SEFA and review for completeness. We further recommend procedures be put in place to ensure all federal grants awarded and expenditures paid are included and reconciled to the records of the Fiscal Court.

Response: Leslie County Fiscal Court did not respond in writing to this finding and recommendation.

2008-02 The Fiscal Court Should Maintain Adequate Documentation For All Expenditures

During our test of expenditures, we were unable to determine if payments were accurately paid or posted as source documentation, such as authorizations, invoices and receipts were missing. As noted below, we found the following:

- There was \$448 in fuel receipts with no evidence of the vehicle filled.
- There was \$2,971 in hotel bills that did not contain purpose and attendees.

We recommend the Fiscal Court maintain detailed supporting documentation for all expenditures of the county and only those expenditures related to official county business be approved and paid.

Response: Leslie County Fiscal Court did not respond in writing to this finding and recommendation.

2008-03 The Fiscal Court Should Maintain Proper Documentation For Capital Assets

The County does not maintain proper documentation for all capital assets. During our review of 125 transactions, we found the following:

- Of the 125 items tested, 40 contained items that should be capitalized per the Fiscal Court's policy. Included in these items were expenditures for construction in progress. No construction in progress was recorded on the Fiscal Court's listing.

The County cannot determine insurance needs or if property (capital assets) is owned without proper documentation. The Instructional Guide For County Budget Preparation and State Local Finance Officer Policy Manual, issued by the Department for Local Government (DLG), outlines requirements for capital assets. The requirements specifically state: "All contracts, invoices, purchase orders and authorizations, vendor bidding documentation, receipts, deeds, etc. must be maintained/filed with the asset documentation records."

The County did not maintain proper supporting documentation for capital assets and did not comply with capital asset requirements as established by DLG.

We recommend the County maintain all capital asset documentation as required in DLG's policy manual and the County's Capitalization Policy.

Response: Leslie County Fiscal Court did not respond in writing to this finding and recommendation.

LESLIE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2008
(Continued)

B. FINANCIAL STATEMENT FINDINGS (CONTINUED)

2008-04 A Lack Of Adequate Segregation Of Duties Exists In The Treasurer's Office

The County Treasurer receives checks from the Finance Manager, restrictively endorses the checks, prepares and makes the deposits, posts transactions into the accounting system, and reconciles the bank accounts.

Proper accounting procedures and internal control policies should be in place and include segregation of duties or compensating controls if a segregation of duties is not feasible. The failure to adequately provide or properly monitor financial management activities increases the risk of materially misstated financial statements due to errors or omissions from improper reporting or fraud. Failure to provide proper oversight of internal controls leaves the county at risk. Sound management and a good internal control structure are essential for the achievement of full oversight and accountability.

We recommend the Finance Manager and Assistant Finance Manager open the mail, restrictively endorse all checks and create a daily log of receipts. Since the Treasurer prepares and makes deposits, posts transactions into the accounting system and reconciles bank accounts, we recommend the Judge/Executive compare the daily receipts logs to deposits per the bank statement during his approval process of the bank account reconciliations.

Response: Leslie County Fiscal Court did not respond in writing to this finding and recommendation.

2008-05 Fiscal Court Should Pay Obligations Timely

During our audit testing, we noted that thirty seven invoices were submitted to the county for payment and not paid within 30 working days as required by KRS 65.140. Pursuant to KRS 65.140 all bills for goods or services shall be paid within 30 days of receipt of vendor's invoice except when payment is delayed because purchaser had made written disapproval of improper invoicing by the vendor or by the vendor's subcontractor.

We recommend that Fiscal Court comply with KRS 65.140 and ensure payment of outstanding obligations within 30 days.

Response: Leslie County Fiscal Court did not respond in writing to this finding and recommendation.

2008-06 Fiscal Court Should Monitor Ambulance Franchise Fee Collections

On July 10, 1995 the county entered into a lease agreement with a private company for the purpose of providing emergency ambulance service. This lease agreement was terminated on June 30, 1998 and another company signed a new lease on July 30, 1998. The terms of both leases stipulate the private companies must pay the fiscal court \$500 per month for consideration of the lease equipment and property. Delinquent payments totaled \$24,000 for the prior provider and \$18,000 for the second provider as of June 30, 2003. Neither private company's obligation of payment due has been exonerated by fiscal court action. In addition, there were no written procedures related to the collection of delinquent payments. In the current lease agreement, signed November 26, 2003, the payment to fiscal court is to be \$25,000 over a four-year period. Delinquent payments at June 30, 2007 totaled \$22,396 for the new provider. During the fiscal year ended June 30, 2008, the new provider paid \$2,500 leaving a balance \$19,896.

LESLIE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2008
(Continued)

B. FINANCIAL STATEMENT FINDINGS (CONTINUED)

2008-06 Fiscal Court Should Monitor Ambulance Franchise Fee Collections (Continued)

We recommend the Fiscal Court review the terms of the agreement and the status of the amount owed the county according to the lease terms and adopt written procedures for the collection of delinquent payments, and pursue payment from these companies, if necessary.

Response: Leslie County Fiscal Court did not respond in writing to this finding and recommendation.

2008-07 The Fiscal Court Should Reconcile The Balances Of Projects In Progress In The Local Government Economic Development Fund With The Ending Cash Balance

The purpose of the Local Government Economic Development Fund (LGEDF) is to account for projects funded by Local Government Economic Development funds. In the past, advances of these funds were made, however, grants received in the current fiscal year were on a reimbursement basis. The cash balance of this fund as of June 30, 2008 was \$1,057,428. In our review of LGED grants, we noted that requests for reimbursements included expenditures from other funds with no evidence of reimbursement by the LGED. In our analysis of current projects, we could find only \$321,303 in outstanding projects.

We recommend the Fiscal Court prepare a reconciliation of outstanding projects to the cash balance and any funds in excess be investigated and transferred to the appropriate fund, if applicable.

Response: Leslie County Fiscal Court did not respond in writing to this finding and recommendation.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARDS PROGRAM AUDIT

2008-08 The Fiscal Court Should Ensure That No Transactions Are Made With Vendors Who Have Been Suspended Or Debarred

CFDA: 97.067 and 97.036

Federal Awarding Agency: Department of Homeland Security

Pass-Through Entity: Department for Military Affairs

Programs: Homeland Security Grant Program and Disaster Grants - Public Assistance

Compliance Requirement: Procurement and Suspension and Debarment

Questioned Costs: None

Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. When a non-federal entity enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify that the entity is not suspended or debarred or otherwise excluded. During our audit we noted that no one investigates vendors to determine if they are in suspension or debarment.

We recommend the fiscal court investigate to ensure that no transactions are made with vendors who have been suspended or debarred, and that documentation be maintained to support the results of the investigations.

Response: Leslie County Fiscal Court did not respond in writing to this finding and recommendation.

LESLIE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2008
(Continued)

D. SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

2007-12	The Fiscal Court Did Not Maintain Documentation of FEMA Grant Expenditures (cleared)
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**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS**

LESLIE COUNTY FISCAL COURT


**For The Fiscal Year Ended
June 30, 2008**


Appendix A

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS
LESLIE COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2008

The Leslie County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance and Development Programs was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.


Jimmy Sizemore
County Judge/Executive


Mack Muncy
County Treasurer

